

INTER TEL INC
Form 8-K
April 24, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): April 20, 2006

INTER-TEL, INCORPORATED

(Exact Name of Registrant as specified in charter)

Commission File Number 0-10211

Arizona

(State or other jurisdiction of incorporation)

86-0220994

I.R.S. Employer Identification Number

1615 S. 52nd Street

Tempe, Arizona

(Address of principal executive offices)

85281

(Zip Code)

Registrant's telephone number, including area code: (480) 449-8900

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On April 20, 2006, the board of directors (the Board) of Inter-Tel, Incorporated (the Company) approved a compensation policy for the recently formed advisory committee to the Board, effective for all meetings of the advisory committee. A copy of the Company s complete revised director compensation schedule is attached hereto as Exhibit 10.1.

Item 2.02. Results of Operations and Financial Condition.

The following information is being furnished pursuant to Item 2.02 of Form 8-K. This information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

On April 24, 2006, Inter-Tel, Incorporated (the Company) issued a press release announcing financial results for the first fiscal quarter ended March 31, 2006 and comparing such results with the results for the first fiscal quarter ended March 31, 2005.

Use of Non-GAAP Financial Information

Certain disclosures prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) included in the press release are accompanied by disclosures that are not prepared in conformity with GAAP. Management has determined that inclusion of these disclosures provides investors a meaningful presentation of the company s operating results in addition to the GAAP disclosure. These non-GAAP condensed consolidated statements of operations are provided to enhance overall understanding of our current financial performance and how management views our operating results. The presentation of this non-GAAP information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP and is not necessarily comparable to non-GAAP results published by other companies. These non-GAAP disclosures and management s rationale for providing them are as follows:

Legal settlement costs. Subsequent to December 31, 2005, the Company settled a legal matter that existed as of December 31, 2005. The Company recorded an accrual for the settlement amount and related fourth quarter legal fees as of December 31, 2005. The settlement plus costs and related fourth quarter legal fees totaled \$1.6 million. Additional legal fees and costs totaling approximately \$1.3 million were also recorded as period costs during the quarter ended March 31, 2006 relating to this matter. Such period costs included attorney s fees and expenses related to the settlement recorded in the fourth quarter of 2005. Given the significance and unusual nature of these expenses relative to the operating results for the periods presented, this expense has been excluded from the non-GAAP presentation of our operating results.

FAS 123R. The reported Net Income for the quarter ended March 31, 2006 includes expenses related to the expensing of stock options and ESPP discounted stock purchases in accordance with Statement of Financial Accounting Standards (SFAS) No. 123R Share Based Payments, which the Company adopted on January 1, 2006. The guidance on the impact of adopting SFAS No. 123R presumes that all unvested options and ESPP discounted stock purchases are equity awards and are accounted for based on the guidance provided in the FASB staff position FAS 123R-d. Given the significance and non-cash nature of these expenses relative to the operating results for the periods presented, this expense has been excluded from the non-GAAP presentation of our operating results herein. FAS 123R costs totaled \$1.1 million in the quarter ended March 31, 2006.

2005 In-Process Research and Development (IPRD) Write-Off: For comparison, 2005 first quarter operating income included a write-off of IPRD costs of \$2.6 million, which reduced net income by \$2.6 million, or \$0.09 per diluted share. This write-off reflected the in-process research and development costs associated

with the Company's Lake acquisition in March 2005. The IPRD write-off is not deductible for income tax purposes.

A copy of the press release is hereby furnished as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

The following Exhibits are furnished as part of this report:

Exhibit Number Description

Exhibit 10.1 Director Compensation Schedule

Exhibit 99.1 Press release dated April 24, 2006 announcing results for the first fiscal quarter ended March 31, 2006, comparing such results with the results for the first fiscal quarter ended March 31, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTER-TEL, INCORPORATED

Dated: April 24, 2006

By: /s/ Kurt R. Kneip

Kurt R. Kneip
Senior Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
Exhibit 10.1	Director Compensation Schedule
Exhibit 99.1	Press release dated April 24, 2006 announcing results for the first fiscal quarter ended March 31, 2006, comparing such results with the results for the first fiscal quarter ended March 31, 2005.

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left">8. The offered consideration shall be an amount of 9.50Euros (nine Euros and fifty cents) for each Share and an amount of 5,000.00 (five thousand) Euros for each Convertible Bond. 9. The launching of the Offer is subject to:

- a) the granting of previous registration of the Offer with the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* or CMVM);
 - b) the granting of the approvals and administrative authorizations that are required in accordance with Portuguese law or an applicable foreign law, notably a non-opposition decision from the Portuguese Competition Authority, in accordance with Law no. 18/2003, of June 11, 2003;
 - c) a declaration from the CMVM confirming the exemption of the duty to launch a subsequent mandatory tender offer as a result of the acquisition of the Shares and Convertible Bonds within the Offer, in accordance with article 189, no. 1, paragraph a) and no. 2 of the Portuguese Securities Code, even if subject to the maintenance of the respective assumptions.
10. The Offer shall be subject to the fulfillment, up to the term of the Offer period, of the following conditions:
- a) acquisition by the Offeror, within the Offer, of a number of Shares that added to those held by the Offeror or by companies under a control or group relation (*relação de domínio ou de grupo*) (as well as by other entities that are indicated to be related with the Offeror under any other of the circumstances provided for in article 20, no. 1 of the Portuguese Securities Code, to the extent that the announcement of the Offer contains such a reference) represent, at least, 50,01 per cent. of the share capital of PT;
 - b) authorization from the General Shareholders Meeting of PT, even if conditioned to the Offer's success, allowing the acquisition by the Offeror of a stake above 10 per cent. of the Target Company's share capital, in accordance with article 9 of its by-laws, without imposing any other limitation;
 - c) amendment to PT's by-laws, even if conditioned to the Offer's success, in order that there shall not subsist any limit to the casting of votes issued by one single shareholder, either by itself or acting on behalf of another shareholder;
 - d) amendment to PT's by-laws, even if conditioned to the Offer's success, for the purpose of terminating with the privileged rights inherent to A class Shares or for the purpose of restricting them in order that they cannot be invoked against the execution of any acts and operations for the implementation of a reorganization plan of PT that shall be provided for in the Offer's final materials, or waiver to the exercise of such privileged rights by the holders of such class of Shares in accordance with those same terms or even approval of those acts and operations or acceptance of the Offer by the holders of A class Shares, always on the assumption that and to the extent that such acts and operations are subject to approval from the General Shareholders Meeting of PT.

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11. For all due purposes, it is hereby referred that the decision to launch the Offer has been based on the assumption that, between the date hereof and the term of the Offer period, none of the following events shall occur with a material impact on the patrimonial, economic and financial situation of the Target Company on a consolidated basis:
- i. approval of resolutions by the competent corporate bodies of the Target Company, or of companies that are in a control or group relation (*relação de domínio ou de grupo*) with the Target Company, with head-offices in Portugal or abroad (hereinafter referred to as companies in a control or group relation), for the purpose of:
 - issuing shares, bonds or other securities or equivalent rights that grant the right to subscribe for or to acquire shares of the Target Company;
 - issuing shares, bonds or other securities or equivalent rights that grant the right to subscribe for or to acquire shares of companies in a control or group relation in an amount above 100 million Euros;
 - winding up, transforming, merging or making a split-off of the Target Company or of companies in a control or group relation with a value above 100 million Euros;
 - amending the by-laws of the Target Company or of companies in a control or group relation, except if those amendments are addressed to ensure the fulfillment of the conditions of the Offer;
 - distributing assets or reserves of the Target Company, without prejudice to the distribution of only an amount of 0.385 Euros per share, as dividends distribution in relation to 2005 s financial year;
 - redeeming or terminating by other form shares issued by the Target Company or by companies in a control or group relation;
 - acquiring, transferring or creating encumbrances, as well as promising to transfer or to create encumbrances on the shares issued by the Target Company, except if for compliance with obligations contracted up to the date hereof and of public knowledge;
 - acquiring, transferring or creating encumbrances, as well as promising to acquire, to transfer or to create encumbrances on holdings in other companies, except if for compliance with obligations contracted up to the date hereof and of public knowledge;
 - transferring or creating encumbrances, as well as promising to transfer or to create encumbrances, on assets of the Target Company or of companies in a control or group relation with a value above 100 million Euros, including undertaking debts, transferring (*trespassar ou ceder*) the ownership, the use or the exploitation of undertakings (*estabelecimentos*) of companies in a control or group relation or undertaking commitments for selling or transferring such assets or for undertaking such debts, except if for compliance with obligations contracted up to the date hereof and of public knowledge;

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- ii. filling up vacancies of members of the corporate bodies of the Target Company or of companies in a control or group relation without ensuring that the designated members may be removed without due cause (*sem justa causa*) against the payment of a compensation which amount shall not exceed the corresponding yearly remuneration;
 - iii. the removal of other members of the corporate bodies of the Target Company or of companies in a control or group relation being subject to the payment of compensations in an amount higher than that of the corresponding remuneration not yet due up to the expiry of the respective office period;
 - iv. the total remuneration of the members of each of the corporate bodies of the Target Company or of companies in a control or group relation for year 2006 and following years exceeding the total remuneration of the members of the same corporate body during 2004, except in relation to a yearly increase of no more than 10 per cent.;
 - v. performance of any acts by the Target Company or by companies in a control or group relation which are not within the ordinary management or which violate the neutrality duty of the management body provided for in article 181, no. 2, paragraph d) of the Portuguese Securities Code;
 - vi. material negative patrimonial changes of the Target Company or of companies in a control or group relation that do not arise from the ordinary course of business by reference to the situation evidenced in the respective Management Reports and Accounts released in relation to December 31, 2004 or, if available, in relation to the latest half-year or quarter balance sheet released following said date;
 - vii. awareness of events that may materially influence the valuation of the Shares but that had not yet been made public up to this date.
12. In addition, the decision to launch the Offer has been based on the assumption that, except in relation to the information available in the accounting documentation of the Target Company prior to the date hereof and to the information that has been disclosed by the Target Company also up to this date, there is not any provision of any agreement, contract or other instrument to which the Target Company or companies in a control or group relation (the first and the latter hereinafter referred to as members of the Group of the Target Company) are a party to pursuant to which, as a result of the launching of the Offer or of the acquisition or proposal to acquire, all or part, of the Shares or Convertible Bonds by the Offeror and with a material impact on the patrimonial, economic and financial situation of the Target Company on a consolidated basis:
- a) any loan or debt of any members of the Group of the Target Company that is not yet immediately due, becomes due or may be declared as immediately due or the ability of any of those members to contract loans or debts is withdrawn or limited;
 - b) is permitted the creation of (or becomes effective) any rights or encumbrances for the benefit of third parties over all or part of the business or assets of any member of the Group of the Target Company;
 - c) any agreement, right or obligation of any member of the Group of the Target Company terminates or is negatively modified or affected;
 - d) the interest or the business of the Offeror, of companies in a control or group relation (*relação de domínio ou de grupo*) with the Offeror or of a member of the

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Group of the Target Company in or with, respectively, any person, firm, company or body terminates or is materially and negatively modified or affected;

- e) any member of the Group of the Target Company ceases to be able to carry out its business using its current name.
13. In the event that the Offeror comes to hold Shares that exceed 90 per cent. of the voting rights corresponding to the share capital of the Target Company, as a result of the Offer or other operations permitted by law and with relevance for the calculation of such percentage, the Offeror admits to make use of the compulsory acquisition mechanism provided for in article 194 of the Portuguese Securities Code, which shall cause the Shares and the Convertible Bonds to be immediately withdrawn from negotiation in a regulated market. The re-listing of the Shares and Convertible Bonds shall be prohibited for a period of two years.

This press announcement does not constitute an offer or invitation to purchase any securities or a solicitation of an offer to buy any securities, pursuant to the Offer or otherwise. The Offer will be made solely by the Offer Document and the Form of Acceptance accompanying the Offer Document, which will contain the full terms and conditions of the Offer, including details of how the Offer may be accepted. In the United States, Sonae, SGPS, S.A. and/or Sonaecom, SGPS, S.A. will be filing a Tender Offer Statement containing the Offer Document and other related documentation and PT will be filing a Solicitation/Recommendation Statement with the SEC after the Offer Document is made available to PT Shareholders. Free copies of those documents will be available from the date the Offer Document is made available to PT Shareholders on the SEC's website at <http://www.sec.gov>. The Offer Document and Form of Acceptance accompanying the Offer Document will be made available to all PT Shareholders at no charge to them. **PT Shareholders are advised to read the Offer Document and the accompanying Form of Acceptance when they are made available to them because they will contain important information. PT Shareholders in the United States are also advised to read the Tender Offer Statement and the Solicitation/Recommendation Statement because they will contain important information.**

Unless otherwise determined by Sonae, SGPS, S.A. and/or Sonaecom, SGPS, S.A. and permitted by applicable law and regulation, the Offer will not be made, directly or indirectly, in or into, or by use of the mails of, or by any other means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or of any facility of a national securities exchange of Canada, nor will it be made in or into Australia or Japan and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within Australia, Canada or Japan. Accordingly, unless otherwise determined by Sonae, SGPS, S.A. and/or Sonaecom, SGPS, S.A. and permitted by applicable law and regulation, neither copies of this announcement nor any other documents relating to the Offer are being, or may be, mailed or otherwise forwarded, distributed or sent in or into Australia, Canada or Japan and persons receiving such documents (including custodians, nominees and trustees) must not distribute or send them in, into or from such jurisdictions.

Notwithstanding the foregoing, Sonae, SGPS, S.A. and/or Sonaecom, SGPS, S.A. retains the right to permit the Offer to be accepted and any sale of securities pursuant to the Offer to be completed if, in its sole discretion, it is satisfied that the transaction in question can be undertaken in compliance with applicable law and regulation.

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The availability of the Offer to persons not resident in Portugal may be affected by the laws of the relevant jurisdiction. Persons who are not resident in Portugal should inform themselves about and observe any applicable requirements.

The Offer will be made by Sonae, SGPS, S.A. and/or Sonaecom, SGPS, S.A. and (outside the United States) by Banco Santander de Negócios Portugal, SA on its or their behalf.

Maia, February 6, 2006

SONAE SGPS, S.A.
SONAECOM, SGPS, S.A.
The Financial Intermediary

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